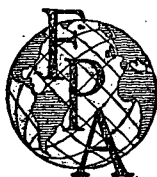


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# FOREIGN POLICY BULLETIN

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## U.S. AND BRITAIN AID MODERATES IN FRANCE AND ITALY

TO Americans who hope that Europe will follow the middle course which General Marshall has supported in connection with China, the past week has brought two heartening developments. On January 14 the United States declared that it would extend substantial financial assistance to Italy, and the following day Britain and France announced their intention not only to settle their outstanding differences on Germany and conclude a treaty of alliance, but to cooperate in working out their mutual economic problems. These moves, although limited in character, offer encouragement to moderate groups in Italy and France at a moment when they are attempting to cope with the deep-rooted economic and political problems which have sharpened tension between the Right and Left in both countries.

### RELIEF NOT LONG-TERM AID FOR ITALY

The economic assistance which Premier Alcide de Gasperi obtained for Italy during his recent visit to Washington includes a \$100,000,000 loan from the Export-Import Bank, \$50,000,000 worth of dollar exchange in return for the supplies Italy furnished American troops during the war, and the right to issue sailing orders to two ships the United States had taken over from the Italian navy. In addition, it was indicated to the Premier that the United States would extend post-UNRRA relief to Italy as soon as the necessary appropriation is passed by Congress, and would support Italy's petition for a loan from the World Bank. This program of American assistance should do much to help Italy overcome its present food crisis. But there must be no illusions as to the effectiveness of this aid in solving Italy's long-term problem of transforming itself into a more productive industrialized nation capable of providing a reasonable standard

of living for its people. Yet until Italy is somehow enabled to deal with its basic economic problems, the threat to democratic government posed by the recent split within the Italian Socialist party cannot be completely dispelled.

### ANGLO-FRENCH ECONOMIC PROBLEM.

The proposed Anglo-French alliance, which was agreed upon during Premier Leon Blum's visit to London on the eve of his resignation, also indicates a short-term attempt to meet pressing post-war difficulties before working out a comprehensive plan for reconstruction and security. Although the British and French reviewed the German problem and agreed to form an alliance to prevent economic rehabilitation from leading to German military resurgence, they emphasized the importance of action on immediate economic matters. One of these is the question of providing France with additional coal from the Ruhr. The British still insist that adequate quantities of Ruhr coal must be retained if local German industries are to produce exports in payment for equipment needed to rehabilitate Ruhr mines, but they have assured the French that by the end of April Ruhr coal exports will reach the level attained before the reductions made last autumn. To the French this arrangement offers little hope that they will soon be able to operate their coal-starved industries in high gear, for France needs more coal imports than it could possibly obtain from the Ruhr. But at a moment of acute coal famine in France even a small increase in the amount available from Germany will be welcomed.

As far as longer-range economic planning is concerned, the British and French talks led merely to an agreement that the members of the Anglo-French Economic Committee should be requested to speed up their examination of the two nations' re-

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spective reconstruction and modernization plans "with a view to preventing conflicts between them." This means that the British and French representatives agreed in principle that their two countries should avoid fruitless competition, and strive instead to supplement each other's production, thus making it possible for them to concentrate their limited investment capital in those industries which will be most efficient. Before this principle can lead to the creation of an Anglo-French economic unit, however, elaborate planning over a period of years will be necessary. At the moment the suggestion is important primarily because it gives a psychological boost to moderates in Britain and France who are seeking to raise national standards of living without resorting to totalitarian measures proposed by extremists of the Right and Left.

**FRENCH COURSE UNCERTAIN.** Whether the Franco-British talks concerning economic integration and an alliance against Germany will lead to concrete agreements depends primarily on the complexion of the new French cabinet. Although the Socialist Vincent Auriol has been elected President of the Republic, and the presidency of the upper house of parliament filled by Auguste Champetier de Ribes, Popular Republican, with Edouard Herriot, Radical Socialist, considered the most likely choice for president of the upper chamber, the cabinet has not yet been formed by Paul Ramadier, the new

relatively unknown Socialist Premier.

The composition of the cabinet will determine the fate of the Anglo-French accord because of partisan differences on the German question. Although the major parties have refrained from debating the future of Germany in order to avoid weakening France's role in the peace settlement, this show of unity thinly disguises disagreements which may now come to the surface. The Socialists, led by Blum himself, have always thought it possible to trust Germany, provided the Germans followed Socialist rather than militant nationalist leaders. The MRP, on the other hand, has advocated de Gaulle's plan for detachment of the Ruhr and Rhineland from Germany, and although there are some signs that MRP leaders no longer believe this is a practical policy, they may be reluctant to abandon it in favor of the Socialist position. It is from the Communists, however, that the strongest opposition to the British-French agreement on Germany may be anticipated. From their point of view, the proposed agreement will probably be unacceptable not only because it has given prestige to their rivals, the Socialists, but because it might prove a setback for the extreme Left in Germany. The attitude of the French Communists will be one of many factors in determining the success of the proposed reconstruction of Western Europe along the moderate lines of British and French Socialism.

WINIFRED N. HADSEL

## PRODUCTION PROBLEMS PLAGUE BRITISH LABOR

London's eleven-day transport strike, which ended on January 16, has thrown into sharp relief many of the domestic difficulties facing the Labor government in Britain. The tenure of the Attlee regime and its eventual re-election depend for the most part on satisfying the demands of trade union members who, like the London truckers, form the backbone of the Labor party. Yet the Laborites know that they must appeal to a wider electorate and meet the requirements of national economic reconstruction if their program is to be successful. Faced with an illegal walk-out which was spreading far beyond the trucking services, the government was forced to use troops to move essential foodstuffs in London. This action, taken on behalf of the public interest, was resented by many trade unionists throughout Britain, and may plague the government in future labor troubles. At the same time the government acted to bring to a speedy close contract negotiations in the trucking industry which had been dragging for many months. The truckers had asked for shorter hours rather than higher wages, and a newly created Joint Industrial Council, which will now mediate the dispute, is expected to grant a 44-hour week to the truckmen.

**LABORITES AND BRITAIN'S CHIEF PROBLEM.** Labor disputes are not, of course, Britain's

main problem at home. Further labor unrest may develop, however, even in nationalized industries such as coal, which came under complete government direction on January 1. As yet no detailed program for handling worker-employer relations in the nationalized industries has been announced. Trade union leaders have only begun to canvass this issue. But with the reconvening of Parliament on January 21 a statement of the government's broader labor policy is available, having been issued the previous day. The government's aim is to increase production and hold the balance between prices and wages. Some wage increases may be recommended in the coal, iron and steel, cotton and agriculture industries, although so far British workers generally have not pressed demands for higher pay since the war. They have urged a shorter work week, and in several industries hours have been reduced recently from the 47-48 hour wartime peak to a 44-hour, five-day schedule.

Britain's chief economic problem is still that of production—production first for the export market and then for home consumption. Government officials find that the nation's export drive has progressed better than was anticipated when Labor first came to power in July 1945. Foreign orders are up to the pre-war level, but the ultimate goal of in-

creasing the export trade 75 per cent above present figures is not yet assured. The direction of Britain's trade, moreover, is not yet satisfactory, for not enough exports are going to hard currency countries—particularly Canada and the United States. Unless greater trade develops with these countries the dollar funds supplied by the American and Canadian loans of last year will soon be depleted.

**PARLIAMENT'S NEW TASKS.** To improve Britain's export position and reconstruct the national economy the Labor government is still pursuing its pre-election program of nationalization and industrial reform. In its first year the present Parliament nationalized the Bank of England, the coal industry and civil aviation. It also inaugurated extensive new social security measures and began a vast housing program. Now two more major nationalization projects have been presented to Parliament, covering inland transport and electricity. In the financial field a bill on exchange control has been offered, and the government has recently announced its plans for the cotton textile industry. In addition a bill dealing with land compensation and betterment has been introduced which goes far toward nationalizing the "use" of land, although it does not imply public ownership.

The new nationalization bills now before Parliament is being attacked with more vigor both by the Conservatives and by non-Parliamentary observers than was true of any other legislation sponsored by the Attlee government. The compensation terms for electricity and inland transport are challenged, and although many of the government's critics want a coordinated transport system, they do not believe that the present bill was preceded by adequate study. The land reform bill will also be hotly contested by Conservative members of Parliament as well as by real estate associations. For any enhanced value of land property arising from development of town and country planning schemes would go principally to the government.

**WILL BRITAIN SUCCEED?** The Labor govern-

ment can not as yet show any outstanding results from its nationalization program. Although the state has just taken over the coal mines, coal production is still dangerously low in Britain, and the vast technical improvements authorized for the pits may not bring substantially greater production for a decade or more. On December 3 Sir Stafford Cripps, President of the Board of Trade, announced that the government would grant the cotton industry funds for re-equipping the spinning mills up to 25 per cent of the cost, although the industry will remain in private hands. Here again, however, extensive improvements in over-all production may not come about quickly. In both coal and cotton, most studies have shown that Britain can not expect to regain its former pre-eminence. In both industries manpower is in short supply and larger export markets probably can never be regained.

Reconversion in Britain has been accomplished smoothly, but industrial leaders, whom government officials have asked repeatedly to intensify their production efforts, are bewildered by complex problems relating to manpower, coal rationing and other fuel shortages. Workers, too, are increasingly impatient about producing consumer goods for the export market, while they themselves live under wartime conditions of food and clothing rationing, and inadequate housing. As the recent trucking strike has shown, the Labor government must not only press forward with its industrial plans. It is also necessary for the Labor party to persuade its supporters throughout the country to accept its program for solving the national economic problems.

GRANT S. MCCLELLAN

*Jane's All the World's Aircraft, 1945-1946*, compiled and edited by Leonard Bridgmen. New York, Macmillan, 1946. \$19.00

This issue of an almost indispensable annual is more valuable than ever, since it contains much information on the subject not hitherto available. It gives details of new developments and accomplishments due to the exigencies of war and summarizes agreements reached by the International Civil Aviation Conference.

*Palestine: Jewish Homeland*, compiled by Julia E. Johnsen. New York, H. W. Wilson, 1946. \$1.25

A volume in the well-known Reference Shelf series presents varied opinions on this controversial subject and has an extensive bibliography.

*The Pacific Islands Handbook—1944*, by R. W. Robson. New York, Macmillan, 1945. \$4.00

Useful American edition of an Australian publication which was suspended by the war. Full of statistical facts, geographical and historical sketches, and a summary of events in the Pacific war to the beginning of 1944.

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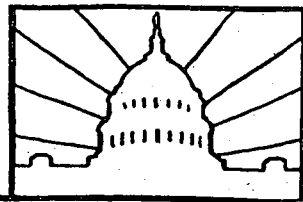
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# Washington News Letter



## HOW WOULD ARMED FORCES MERGER AFFECT FOREIGN POLICY?

The plan for reorganization of the armed forces which President Truman announced on January 16 as a means of strengthening the military policy of the United States would also alter the country's machinery for making foreign policy. The unqualified support Secretary of the Navy James Forrestal has given the plan improves its chances with Congress, which must accept it before it can go into effect. Forrestal had objected to the military reorganization plans which Mr. Truman submitted to Congress on December 19, 1945 and June 15, 1946. Yet, by multiplying the number of military agencies, the present plan may increase military expenditures. This might make Congress, which is determined to economize, reluctant to accept the "merger" in its present form. Congress, however, can revise the plan.

**COULD AFFECT FOREIGN POLICY.** The direct influence of the planned reorganization on foreign policy results from the suggestion which Mr. Truman has offered anew for the establishment of a Council of National Defense. His suggestion, first made on June 15, was based on proposals presented on May 31 by Secretary Forrestal and Secretary of War Robert P. Patterson. The ostensible function of the Council would be to integrate military and foreign policies, but those charged with integrating policies would inevitably come to make them. There has been a pressing need since the end of World War II to fix clearly the place of the military agencies in planning international relations, but the proposal for the Council seems to open the way for the military to dominate the formulation of foreign policy, not simply to share in it. The membership of the Council would include four military officials—the proposed Secretaries of National Defense, Army, Navy and Air Force—but according to present plans, not more than three civilian officials, the Secretaries of State, Treasury and Labor.

The vagueness of the proposal for a National Council of Defense gives Congress an opportunity to consider possible ways of revising machinery for the formulation of foreign policy through the establishment of a broader policy-forming agency which would include heads of all important executive offices and the chairmen of pertinent Congressional committees. Members of Congress now take part only indirectly in the making of foreign policy, and the uncertainty of Congressional attitudes toward any issue in that field weakens the President and Secretary of State in their conduct of foreign affairs, espe-

cially at a time when the Executive represents the minority party. Congress is not represented in the two principal existing agencies for coordinating various departmental attitudes toward foreign policy: the National Advisory Council, which deals with foreign lending, and the State-War-Navy Coordinating Committee, which deals with political policy that directly involves military issues.

**MILITARY REORGANIZATION.** The President's reorganization plan would improve coordination among the various branches of the armed services, but it would not insure the degree of unity in military policy which is desirable for continuity in foreign policy. To two present existing services, army and navy, would be added a third—an autonomous air force. Whereas the services are now coordinated only through the Joint Chiefs of Staff, the plan, while retaining the Joint Chiefs, would also coordinate the services through the new office of the Secretary of National Defense, the proposed War Council, and the Council of National Defense. The War Council would "concern itself with matters of broad policy relating to the armed forces." While the military would deal with foreign policy through the Council of National Defense, the Secretary of State would not have a direct voice in military policy formed by the War Council. The War Council would consist of the Secretary of National Defense, the Army, Navy and Air Force Secretaries, and the military heads of the three services.

Despite the new points of contact projected for the armed services, the three separate services themselves would retain an independence roughly comparable to that which they now enjoy. While the Army, Navy, and Air Force Secretaries would not have cabinet status, they would have the privilege of direct access to the President. The single chief of staff, which the War Department once favored as a means for unifying planning and strategy, is not now proposed. The Navy abandoned its opposition to the creation of the autonomous Air Force, it retains control over its land-based as well as carrier-based planes. The establishment of a single agency for procurement and supply and a single agency to coordinate scientific research and development, which had been suggested by Mr. Truman on June 15 as a means to effect economies in the military services, are missing from the new plan.

BLAIR BOLLES